



Duty Disability Benefits

Preliminary Report

**WASHINGTON STATE
Law Enforcement Officers' and Fire Fighters'
Plan 2 Retirement Board**

August 25, 2004

Current Provisions

- “Total incapacitation” for further duty as a police officer or firefighter
- Benefit actuarially reduced
 - Difference between normal retirement and member age at disability
 - Applies to duty and non-duty
- 10% minimum benefit for duty disabilities
 - No actuarial reduction

Example

- Age 43
- 15 years of service credit
- FAS \$45,000
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- Reduction of 0.43 applied to calculation
 - 10 years from normal retirement (43 to 53)

Example

- Base pension
 - $2\% \times \$45,000 \times 15 = \$13,500$ yr or \$1125 mo
- Actuarial reduction applied to base pension
 - $\$1125 \times 0.43 = \483.75 mo
 - \$375 of \$483.75 would be tax-free if disability is duty-related.

Policy Option 1

- Eliminate the actuarial reduction for duty disability calculation
 - Provides member with full earned pension
 - Does not change duty disability standard
 - Does not allow for favorable tax treatment

Policy Option 1 - Example

- Base pension
 - $2\% \times \$45,000 \times 15 = \$13,500$ yr or \$1125 mo
- No actuarial reduction applied to base pension
 - \$375 of \$1125 would be tax-free
 - Base pension would still be subject to voluntary reductions such as survivor benefit or retiree health insurance

Policy Option 2

- Establish a special benefit for extreme disabilities
 - Creates a much higher disability standard and correspondingly higher level of benefits
 - Member not capable of any substantial future employment
 - May allow for favorable tax treatment

Policy Option 2

- Varying standards for disability among federal, state and local entities
- Benefits at entities studied ranged from 65% to 72% of final average salary
- One entity provided 100% of final average salary capped at \$5000

Policy Option 2 - Example

- Base pension
 - $70\% \times \$45,000 = \$31,500$ yr or \$2625 mo
- No actuarial reduction applied to base pension
 - Entire benefit would be tax-free
 - Base pension would still be subject to voluntary reductions such as survivor benefit or retiree health insurance

Questions?

